

The Trade Secrets Directive—Poland

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1. Trade Secrets Protection: Legal Framework

The EU Directive 2016/943 of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure (the “Directive”) was implemented into Polish law by the Law of 5 July 2018 on amendment of the Law of 16 April 1993 on Suppression of Unfair Competition (further the “UC Law”), and certain other laws, which was published in Journal of Laws (Dziennik Ustaw) no. 1637/2018 dated 27 August 2018 and came into force as of 4 September 2018.

Trade secrets have been protected by provisions of the UC Law since its enactment. Its Art. 11 relates to unauthorised disclosure, use or acquisition of a trade secret. Further provisions specify civil remedies (Art. 18-20) and criminal responsibility for disclosure or use of a trade secret if it causes serious damage to the entrepreneur (Art. 23, which overlaps with general provision penalising disclosure or use, against provisions of law or undertaken obligations, of information which one learnt in connection with position held, work performed, public, social, economic or scientific activity—*i.e.* Art. 266 of the Criminal Code). All those were amended by the law implementing the Directive.

Some provisions of the Directive, relating to protection of trade secrets in course of preliminary injunction procedures, were implemented in the Code of Civil Procedure (further “CCP”), namely Art. 10(2) of the Directive in new Art 7551 of CCP and art 11 (4) and (5) of the Directive in amended 739 § 1 of CCP.

2. Definitions

Art. 11 of UC Law has been modified and now defines the act of unfair competition related to disclosure, use or acquisition of information belonging to another entity constituting a trade secret—Art. 11(1). Further it defines a trade secret as,

“... technical, technological, organizational information or other information having an economic value which, as a whole or in a particular combination and collection of elements are not commonly known to people usually dealing with this type of information or are not easily accessible to such people, provided that the person authorized to use the information or dispose of it undertook, with due diligence, actions to keep them confidential”—Art. 11(2).

The definition of an act of unfair competition against

trade secrets is extended by Art. 11(6) of UC Law which states that,

“The use of information constituting a trade secret consisting in the production, offering, placing on the market, as well as import, export and storage of goods for these purposes constitutes an act of unfair competition, if the person performing the said activity knew or could know exercising due diligence that the properties of the goods, including aesthetic or functional, the process of their production or disposal were to a large extent shaped following the deed referred to in clause 1, performed in the circumstances specified in clause 4”

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(*i.e.* when it occurred without the consent of the person entitled to use or dispose of information and violates the obligation to limit their use or disclosure under a law, legal act or other act or if it was made by a person who obtained this information by doing an act of unfair competition).

The activities defined in Art. 11(6) had not been prohibited prior to the implementation of the Directive.

3. Lawful Acts

Polish implementation of the Directive includes a list of lawful acts concerning the acquisition, use and disclosure of a trade secret as specified in articles 3(1) and (2) of the Directive. The list is contained in Art. 11(7) and partly in 11(8) of UC Law. The general clauses included in Art. 3(1)(d) and 3(2) of the Directive will have to be taken into account when referring to the general clause in Art. 3(1) of UC Law, where acts of unfair competition are (only) those which are contrary to law or honest practices.

4. Unlawful Acts

Unlawful acts concerning the acquisition, use and disclosure of a trade secret are set out in Art. 11 clause 3 (acquisition) and clause 4 (disclosure or use). These are direct transpositions of, respectively, Articles 4(2) and (3) of the Directive.

Art. 11 (5) of UC Law specifies, in line with Article 4(4) of the Directive, that those acts of unfair competition may be committed by wilful intent or by negligence.

Finally, Art. 11 clause 6 defines unlawful acts related to production, offering, placing on the market, as well as import, export and storage of infringing goods.

5. Exceptions

The exceptions to unlawful activities are regulated in Art. 11(8) of UC Law, in line with Article 5 of the Directive.

6. Enforcement: Measures, procedures and remedies

6.1 In case of an act of unfair competition against trade secrets, the remedies provided for in Art. 18 of UC Law may be used. Those remedies basically apply to any act of unfair competition, but some were specifically adjusted to the specifics of trade secrets as result of implementing the Directive. The remedies listed in Article 12 of the Directive had already been covered by Art. 18(1) point 1 and 2 of UC Law which allows to claim for cessation of prohibited acts and removal of their effects.

If the defendant does not implement the measures ordered in a court order or verdict which is final or immediately enforceable, the plaintiff may apply for the appropriate court (the one which is the seat of the defendant) to impose fines payable to the State or monetary amounts payable to the plaintiff, which may also be recurring (Art. 1050ss of CCP).

6.2 As per general rules included in Art. 18(1) point 3 of the UC Law, the court may also obligate the defendant to make one or more statements of appropriate content and form. Jurisprudence requires the court to take into account the circumstances of the case when deciding on the need to publish the statement, including the channels of publication and its target group (*e.g.* industry press, general press, website of the defendant or other websites, as appropriate). The cost of publication of the statement should also be taken into account.

With implementation of the Directive, the UC Law obtained a new provision, Art. 18(3), which provides that, in case of an act of unfair competition consisting in an infringement of a trade secret, the court may also order the publication of all or part of its judgment. Detailed guidelines regarding the scope and method of such publication reflect those set in Art. 15(2) of the Directive.

6.3 When considering an application for the adoption of the measures described above and assessing their proportionality, general circumstances apply, such as, *inter alia*, the effect of the infringement on the position of the plaintiff, general conditions of fair competition in the market and the degree of culpability or wilful intent on the part of the defendant. The criteria are largely the same as those set forth in Article 11(2) of the Directive. It may be advisable that the parties re-

fer more directly to particular criteria, specified in art 11(2) of the Directive, asking the court for interpretation of national law in accordance with aims of the Directive which it implemented if the circumstances of the case so require.

6.4 In addition to the above corrective measures and injunctions, the trade secret holder is also entitled to compensation for damage suffered as a result of the unlawful acquisition, use and/or disclosure of his trade secret, as well as the handing over of any unjustified benefits (Article 18(1) point 4 and 5 of UC Law). Both claims may be made according to the general rules. In such cases, to obtain damages the plaintiff must show, on top of the fact that an act of unfair competition against a trade secret was committed, culpability on the part of the perpetrator (wilful intent or negligence), the scope of actual damage or lost profits and causal link. A new provision of Art. 18(5) of UC Law allows, in lieu of damages calculated according to general rules, a claim to redress damages by way of the payment of an amount which corresponds to a remuneration which, at the moment of claiming, would have been due to the trade secret holder if they had granted consent to use the information constituting the trade secret.

6.5 As per Art. 18(2) of the UC Law, the court may order destruction, delivery to the plaintiff on account of damages, or other remedies with regard to products, packaging, advertising materials and other goods directly related to the commitment of an act of unfair competition.

7. Preliminary injunctions

7.1. The court may order a preliminary injunction when the trade secret holder establishes that the claim is probable, *i.e.* valid on a *prima facie* basis, and that they have legitimate interest in obtaining a temporary injunction, which is most often accepted in intellectual property and unfair competition cases.

In the order the court may also decide, also under penalty of recurring payments to the plaintiff (Art. 756². § 1 of CCP), on rights and obligations of the parties to the proceedings for the time of proceedings, or on other measures, such as seizure of goods or other assets (Art. 755 § 1 of CCP). This covers the measures provided by Art. 10(1) of the Directive. The court delivers to the defendant injunctions ordering the defendant to do or refrain from specific actions or prohibit interfering with the actions of the plaintiff. However, if the order also includes a seizure of goods to be performed by a bailiff, then the court will normally deliver the order only to the plaintiff and then the order will be delivered to the defendant by the bailiff when making the seizure (Art. 740 §1 of CCP).

7.2. The above-mentioned measures may be ordered

only after an assessment of their **proportionality**. The court is to take into account the interests of the parties, so that the plaintiff obtains appropriate protection without placing unnecessary burden on the defendant (art. 730¹ § 3 CCP). By way of example, the court may decide that an injunction against specific actions is sufficient and there is no necessity to order seizure of goods or other items. The criteria listed in art 11(2) of the Directive are not directly mentioned in CCP of UC Law, but may be of assistance when balancing the interests of the parties.

7.3. The provisional measures ordered shall be **revoked or cease to have effect** for those same reasons as set forth in Article 11(3) of the Directive, *i.e.* when a suit is not filed within a deadline set by the court not exceeding 14 days from the delivery of the preliminary injunction to the plaintiff or the circumstances changed, so that the claim is no longer *prima facie* substantiated or the plaintiff no longer has a legitimate interest in obtaining preliminary protection.

7.4. Where appropriate, the court may subject the granting of provisional measures to the claimant's lodging of an adequate security to ensure compensation for any possible damage suffered by the defendant and/or any other person affected by the measures in question (Art. 739 §1 of CCP).

8. Alternative Measures

8.1. As per newly introduced Art. 755¹ of CCP, instead of preliminary injunctions or seizure of movables in order to stop the use of trade secrets, the court may, upon motion of the defendant, order the defendant to pay to the deposit account of the Ministry of Finance an appropriate monetary amount as security against claims of the plaintiff related to further use of the trade secret. Such order may be issued after conducting a hearing. This alternative measure does not cover claims related to disclosure or acquisition of trade secrets, which is in line with art 10(2) of the Directive.

8.2. Article 18(4) of the UC Law provides for the option that, if the same terms and conditions as those set forth in Article 13(3) of the Directive are met, the infringer may avoid the application of injunctions in return for the payment of financial compensation in an amount not higher than the amount of royalties which would have been due, had that person requested authorisation to use the trade secret in question, and for a period of time not longer than until the trade secret ceases to be confidential.

9. Limitation Period

As per Art. 20 of UC Law, the limitation period for claims for unfair competition is normally three years, for each separate infringement (in the case of a series of infringement or repeated infringements). For claims for damages, the limitation period is three years from

the date when the injured party learned or, using due diligence, could have learned about the damage (and the infringer is obligated to redress it), in any case no longer than ten years from the date when the event causing damage occurred, or 20 years from that date, if the event causing damage was a crime.

As per Art. 291 of the Labour Code, the limitation period for claims arising from an employment contract is three years. In cases of claims for damages, the period is one year from the date when the employer learned or, using due diligence, could have learned about the damage caused by the employee, in any case no longer than three years after the damaged was caused. If the infringement was committed wilfully, then the ten and twenty year general limitation periods under Civil Code apply (discussed above).

10. Trade Secrets as an Object of Property

Implementation of the Directive does not change the status of trade secrets. In principle, they do not constitute a typical intellectual property law (a subjective right constituting an object of property). In particular, the existence and scope of trade secrets depends on circumstances which may dynamically change (*e.g.* by certain information becoming public). However, they may constitute a part of an enterprise as a complex object of property owned by a company (Art. 551 point 8 of Civil Code) and by default may be the object of transfer along with the whole enterprise (Art. 552 of Civil Code). They may also be an object of non-monetary contribution to a company (in that context they are most often referred to as “know how”). They may be a subject of a license. Art 79 of the Industrial Property Law of 30 June 2000 provides that the provisions of that Law related to a patent license are applicable to licensing contracts for an unpatented invention constituting a trade secret.

11. Protection of Trade Secrets in Court Proceedings

In Polish law, there is no general provision prohibiting the use, by a party, of information disclosed by another party in the course of litigation. There is one provision in Art. 64(3) of the Industrial Property Law where the defendant in a patent infringement case may have to disclose their manufacturing process to rebut the statutory presumption that a product which may be obtained by process was actually obtained in that manner. When overcoming that presumption, that Law provides that the legally justified interest of the defendant in their manufacturing and trade secrets should be taken into account (*cf.* art 34(3) TRIPS). Otherwise, the main provision that may protect trade secrets is Art. 153 § 1¹ of CCP which provides that the court shall, upon motion of a party, order that a hearing be conducted with closed doors if circumstances may

be revealed which constitute a trade secret. In such a case, as per Art. 9 § 2 of CCP, the parties may not obtain written copies of the minutes of the hearing. They are, however, not prevented from making private notes during the hearing and in particular, from keeping the evidence filed by the adverse party.

The implementation of the Directive adopted a model where anyone using or disclosing a trade secret which they learned participating in a hearing, or otherwise, in civil proceedings related to claims under an act of unfair competition for infringement of a trade secret, or by approach to the files of such proceedings, if the court decided that the hearing was not open to the public, shall be subject to a fine, limitation of freedom or prison up to two years—as per new Art. 23(3) of the UC Law.

12. Recommendations for Corporate Trade Secrets Policies

Since the prerequisite for protection of trade secrets is to show that their owner *undertook, with due diligence, actions to keep them confidential*, the most important recommendation is to assure that the measures taken meet the standards of due diligence. This includes not only assuring that non-disclosure agreements are signed by employees, subcontractors,

current and prospective business partners but also the clear marking of documents on all data carriers including trade secrets. Also, whenever a trade secret is transferred to another party for the purposes of current or potential cooperation, the circumstances should be documented.

Further, framework or cooperation agreements providing certain thresholds of protection to particular types of data and appropriate procedures should be adequately drafted and carefully followed.

The practice of backing the confidentiality obligation with a penalty clause is common. However, in line with the Polish Civil Code, such a clause should be expressly provided in the penalty clause if the party entitled to claim the specific penalty wishes to claim damages in an amount that exceeds the amount of the flat rate penalty. Contrary thereto, there is no need in Polish law, as opposed to some other legal systems, to indicate separately that the penalty does not preclude the right to claim substantive relief (injunction or specific performance), since the law expressly allows for that. ■

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